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INCOME, ESTATE, TRANSFER
AND
STAMP TAXES
UNDER
FEDERAL AND STATE ACTS

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PREFATORY NOTE

THIS publication is in reality a continuation of and an enlargement upon a Chart compiled by me in 1916, showing the exemptions and rate of tax under the Transfer Tax Laws of the State, and under the Revenue Acts of Congress providing for a tax upon decedents' estates. The reception accorded such chart has led me to attempt a treatment, in the same manner, the Federal Income Tax Acts, the Stamp Tax provisions of the recent Revenue Act, and the new Estate Tax provisions thereof, and also the Act just enacted providing for a tax upon the net income of Manufacturing and Mercantile Corporations within the State.

My purpose has been to produce a simple, inexpensive work that will furnish to persons interested in the matters treated, just the information they must have and would like to be quickly informed upon. Beyond that I make no claim for this publication, and with this introduction submit the within to their consideration, use and judgment.

W. F. M.

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HISTORICAL NOTE

Tax on Incomes.—Research on the subject discloses the fact that certain mediaeval towns imposed a tax upon the earnings of artisans and tradesmen. In 1799 England enacted its first general income tax and through successive acts of like nature revenue has been raised in this manner since. Income tax laws were passed in Austria in 1702; Prussia in 1811; France in 1871; Italy in 1864; Holland in 1892; Japan in 1899; Norway in 1882; Sweden in 1897, and Denmark in 1903. Nearly all the other European countries have laws taxing incomes, either enacted by national or federal act, or by each state, province, duchy or canton independently.

In the American colonies the first income tax measure was passed by the colony of Massachusetts in 1634. Other colonies later passed like acts. The Southern Confederacy enacted an income tax law in 1861. The first federal tax act passed by congress, affecting incomes derived from occupation, trade, profession or employment, was so passed August 5. 1861. The act under which individual incomes are now taxed was passed and became a law September 8, 1916, and the war revenue act just enacted.

Legacy, Inheritance and Transfer Taxes.—This method of raising revenue was resorted to as early as A. D. 230, Augustus in that year having caused to be imposed a tax upon all legacies and inheritances of, or over, a specified value, from all persons taking, except the nearest kin on the father's side.

England began taxing legacies in 1780, and has continued doing so through successive acts. Most of the other European countries impose a like tax, and in a large number of the states of the United States transfer and legacy tax acts have been enacted. The federal government enacted an estate tax law, treated herein, in 1916.

New York state first passed an act taxing gifts, legacies and collateral inheritances in certain cases on June 10th, 1885, this act having gone into effect on June 30th of that year. In 1892, this act, with certain amendments thereto, was repealed and substantially re-enacted. In 1896 the act was again repealed and substantially re-enacted as article X of the Tax Law. Certain amendments were made thereto and in 1905, the last act, as amended, was substantially re-enacted with certain amendments added by such act. Certain amendments were made in 1907 and in 1908, and in 1909, the law was re-enacted, with no material change in the phraseology, and became chapter 60 of the Consolidated Laws. In 1910, 1911 and 1916, further amendments materially affecting exemptions and rates of tax were enacted, the last three enactments being treated herein, and represent the law now governing the taxation of estates in this state. In 1917 an amendment was added imposing a further tax upon investments under certain circumstances.

This is, in brief, a history of the origin, growth and progress of the tax laws treated of herein.

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PART I

FEDERAL ESTATE TAX
AND
EXEMPTIONS AND RATE UNDER
TRANSFER TAX ACTS

EXEMPTIONS AND RATE

Under Chapter 706, Laws of 1910

In effect July 11, 1910

A---\$5,000 Exemption

Upon a transfer to a **father, mother, widow or minor child**, excess to each, only, taxable:

RATE

1 per cent.	On any amount in excess of exemptions up to \$25,000.
2 per cent.	On any amount in excess of \$25,000 up to \$100,000.
3 per cent.	On any amount in excess of \$100,000 up to \$500,000.
4 per cent.	On any amount in excess of \$500,000 up to \$1,000,000.
5 per cent.	On any amount in excess of \$1,000,000.

B---\$500 Exemption

Upon a transfer of property to a **husband, adult child, brother, sister, wife or widow of a son, or the husband of a daughter, adopted child or a child standing in the relation of acknowledged parent and child** for at least ten years where such relationship began at or before said child's fifteenth birthday and was continuous for said period, provided, except in the case of stepchild, that its parents were dead when such relationship commenced; **also to any lineal descendant of decedent**, excess to each, only, taxable:

RATE

1 per cent.	On any amount in excess of \$500 up to \$25,000.
2 per cent.	On any amount in excess of \$25,000 up to \$100,000.
3 per cent.	On any amount in excess of \$100,000 up to \$500,000.
4 per cent.	On any amount in excess of \$500,000 up to \$1,000,000.
5 per cent.	On any amount in excess of \$1,000,000.

C---\$100 Exemption

Upon a transfer to **any other person or corporation** not exempt from taxation, excess to each, only, taxable:

RATE

5 per cent.	On any amount in excess of \$100 up to \$25,000.
10 per cent.	On any amount in excess of \$25,000 up to \$100,000.
15 per cent.	On any amount in excess of \$100,000 up to \$500,000.
20 per cent.	On any amount in excess of \$500,000 up to \$1,000,000.
25 per cent.	On any amount in excess of \$1,000,000.

NOTE—The exemptions above are allowed to each person or corporation and are not to be considered as any part of the transfer in computing the tax. See 206 N. Y. 653 and 208 N. Y. 602.

PAYMENT OF THE TAX

When due
and
payable.
Secs. 222,
223

Tax is due and payable as of the **time of the transfer**, except where transfer is limited, conditioned, dependent or determinable upon the happening of any contingency or future event, by reason of which the value thereof cannot be ascertained at the time of the transfer, it accrues and becomes due when those beneficially entitled thereto come into actual possession or enjoyment thereof.

See further as to contingent remainders, page 4.

Lien of tax

The tax assessed is and continues to be a lien upon the property transferred until paid.

Discount

Deduction of five per centum upon the amount of the tax is allowed if payment is made **within six months** from death of decedent.

Penalty

After **eighteen months** from death of decedent, interest at the rate of **ten per centum** per annum on the tax from date of death will be charged, unless—

Tax cannot be determined and paid within such period by reason of claims, necessary litigation, or other unavoidable delay, when the rate will be **six per centum** until the cause of delay is removed, and then ten per centum until paid.

To whom
payable

In counties where the appraiser is appointed by the state comptroller, tax is payable to the **comptroller**. In other counties to the **county treasurer**.

Receipts for

Duplicate receipts for payment must be taken. If payment is to the comptroller **one must be countersigned** by the state treasurer, in other cases it must be countersigned by the comptroller.

The **countersigned receipt**, or a certified copy thereof, **must be produced** in the **surrogate's court** before the representative will be entitled to a decree finally judicially settling his accounts.

EXEMPTIONS AND RATE

Under Chapter 732, Laws of 1911

In effect July 21, 1911

A--\$5,000

Exemption

Upon a transfer to a **father, mother, husband, wife, child, brother, sister, wife or widow of a son, or the husband of a daughter, any child adopted in conformity with the laws of this state, any child to whom decedent, donor or vendor for at least ten years stood in the mutually acknowledged relation of parent and child**, provided such relationship began at or before the child's fifteenth birthday and was continuous for said period, **or to any lineal descendant of decedent, etc., born in lawful wedlock**, the excess to each, only, taxable:

RATE

1 per cent.	On any amount in excess of exemptions up to \$50,000.
2 per cent.	On any amount in excess of \$50,000 up to \$250,000.
3 per cent.	On any amount in excess of \$250,000 up to \$1,000,000.
4 per cent.	On any amount in excess of \$1,000,000.

B--\$1,000

Exemption

Upon a transfer to **any other person or corporation** not exempt from taxation, excess to each, only, taxable:

RATE

5 per cent.	On any amount in excess of exemptions up to \$50,000.
6 per cent.	On any amount in excess of \$50,000 up to \$250,000.
7 per cent.	On any amount in excess of \$250,000 up to \$1,000,000.
8 per cent.	On any amount in excess of \$1,000,000.

THE TRANSFER

Time of

The transfer occurs at the moment of death. 147 N. Y. 69.

What passes

The real interest passing is that portion of the property remaining after the payment of debts and other proper charges. 152 N. Y. 93; 195 N. Y. 346.

Law which applies

That in force at the time of the transfer. 76 Hun, 328; 143 N. Y. 120.
See also, 18 N. Y. S. 767.

CONTINGENT REMAINDERS

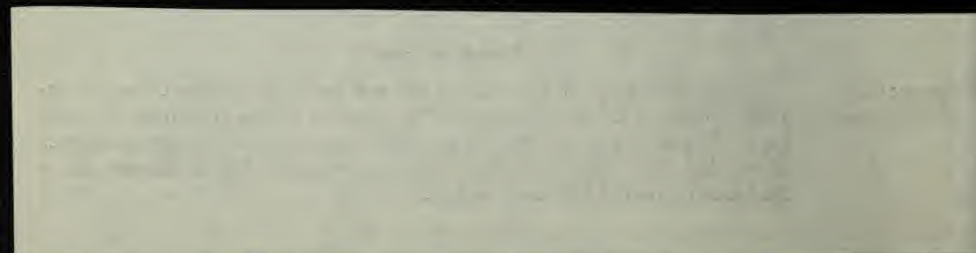
PROPERTY SUBJECT TO

- Appraisal of Such property must be appraised at its clear market value immediately upon the transfer.
- Tax upon Tax must be imposed at the highest rate which would be possible upon the happening of any of the contingencies.
- The tax must be forthwith payable out of the property transferred.
 (Con. L. 1909, amd. by Law 1911.)
 See secs 222, 223, where market value cannot be ascertained.
 80 App. Div. 458; 172 N. Y. 69; Id. 609.
- Assignment of securities Representative may, however, assign to the official to whom the tax is payable, bonds or other securities of the estate, approved by such official, to secure the payment of the difference between the tax at the highest rate and that upon the remainder had the conditions or contingencies happened at the date of appraisal, and then pay in cash the balance of the tax assessed.
- Tax to be retained Where such remainders are so taxed the officer to whom all the tax is paid in cash **shall retain** and **hold** to the credit of the estate so much of said tax as represents the difference between the tax at the highest rate and that upon such remainders which would be due if the contingencies had happened at the date of the appraisal.
 175 N. Y. App. Div. 806.
- The amount so retained **must** be deposited with some trust company or savings bank, and the interest therefrom, when collected, paid to the executor or trustee to be applied as provided for by the decedent's will.
 (Chap. 800, Laws 1911.)

Exemption
contingent

Addenda to page 5

In the matter of Bunce, decision was rendered by the Court of Appeals November 27, 1917, reversing the decision of the Appellate Division, Fourth Department. In the case of legacies or distributive shares to persons under class "B" and "C" above noted, no exemption will be allowed unless the value thereof is \$500 only or less.



EXEMPTIONS AND RATE

Under Chapter 548, Laws of 1916

In effect May 15, 1916

A--\$5,000 Exemption

Upon a transfer to a **father, mother, husband, wife, widow or child**, excess to each, only, taxable.

The same exemptions are allowed to an **adopted child**.

\$500 Exemption

Upon a transfer to a **lineal descendant**, the excess only being taxable.

RATE

1 per cent.	On any amount subject to tax up to and including \$25,000.
2 per cent.	On next \$75,000 or any fraction thereof.
3 per cent.	On next \$100,000 or any fraction thereof.
4 per cent.	On any balance.

B--\$500 Exemption

Upon a transfer to a **brother, sister, wife or widow of a son**, or the **husband of a daughter**, or to a **child to whom decedent, etc., stood in relation of parent**, the excess only being taxable.

RATE

2 per cent.	On any amount subject to tax up to and including \$25,000.
3 per cent.	On next \$75,000 or any fraction thereof.
4 per cent.	On next \$100,000 or any fraction thereof.
5 per cent.	On any balance.

C--\$500 Exemption

Upon a transfer to **any other person or corporation** liable to tax, the excess only being taxable.

RATE

5 per cent.	On any amount subject to tax up to and including \$25,000.
6 per cent.	On next \$75,000. or any fraction thereof.
7 per cent.	On next \$100,000 or any fraction thereof.
8 per cent.	On any balance.

NOTE—A strict construction of the amendment of 1916, would require a holding to the effect that the exemption to an adopted child and to the persons under the \$500 class depended upon their taking such amounts only or less. The construction in the chart above is in accordance with a more liberal view of the meaning of the act, and conforms with a decision just rendered by the Appellate Division, Fourth Department, in the Matter of Bunce (not yet reported). From this decision the State Comptroller has taken, or is about to take, an appeal to the Court of Appeals.

EXEMPTIONS AND RATE

Amendments Under Laws of 1917

Exemption

An amendment enacted affecting section 221, exempts from the provisions of such section **real property** devised or bequeathed to a **municipal corporation** in trust for a specific public purpose.

(Chap. 53, sec. 1, L. 1917, in effect March 15, 1917.)

Section 2 of above chapter provides that the provisions of section 221 of the Tax Law, as so amended, shall apply to such property heretofore **devised to a village** in trust for street purposes; and that any tax heretofore fixed or imposed under article 10 of the Tax Law, on account of such transfer subsequent to March 26, 1913, shall be rescinded and revoked.

Additional tax

In addition to the tax already imposed by section 221a, a tax of **five per centum** of the appraised inventory value of **each investment** must be paid **upon a transfer** thereof, unless the tax prescribed by art. 15, ch. 700, L. 1917 or the tax on a secured debt defined by former art. 15, **said chapter**, shall have been paid and stamps affixed for a period including the date of death of the decedent; or his personal representative can prove that a personal property tax was assessed and paid on such investment or debt while held by decedent; or that decedent was actually engaged in the bona fide business of purchasing and selling investments, maintaining an office within the state for such business, and held such investment for sale in such business and not as an investment for not more than eight months prior to his death. (Art. 15, ch. 700, L. 1917, in effect July 1, adding new sec. 221b, and renumbering old sec. 221b.) See Stamp Tax provisions hereinafter noted.

All taxable Law 1915

PROPERTY HELD IN JOINT NAMES

Tangible property held in **joint names** of two or more persons, **or as tenants by the entirety**, or when deposited in banks or other institutions in the joint names of two or more persons payable to either or the survivor, upon the death of one of such persons, the right of the surviving tenant or tenants or person or persons to the immediate ownership or possession and enjoyment thereof is **deemed a transfer taxable** in the same manner as though the whole of said property or deposit belonged to said deceased and had been by him devised or bequeathed to said survivor or survivors by him. (See section 220, chapter 62, Laws 1909, as amended by Laws 1910 and 1911, and lastly, as amended by chapter 664, Laws 1915, in effect May 20, 1915.)

Prior to the amendment it was held that the survivor took property held jointly with another not under the laws regulating intestate succession, but under the conveyance or instrument by which the tenancy is created. (216 N. Y. 83; 222 Mass. 291.)

Personal property

Husband and wife do not take **personal property** as tenants by the entirety. Since the amendment it has been held, that the right of the survivor of two joint tenants of such property to the exclusive ownership thereof is a taxable transfer of one half the joint property, and so taxable, although joint ownership existed prior to the amendment. (221 N. Y. 15.)

Held not taxable under the amd.

Amendment held not to be retroactive in effect. Estates created and property held, as above, prior to May 20, 1915, held not subject to tax under this amendment.

(See In re Horler's Estate, 97 Misc. 586, 161 N. Y. S. 957; In re Teller's Estate, 161 N. Y. S. 1110. Also 167 App. Div. 356, 153 N. Y. S. 169; affd. 217 N. Y. 609; 167 App. Div. 365, 153 N. Y. S. 58; affd. 217 N. Y. 608.)

Real estate

Real property held by husband and wife as tenants by the entirety prior to May 20, 1915, will not be taxable hereunder.

FEDERAL ESTATE TAX

Under Title II, Revenue Act of Congress

Passed September 8, 1916

A---Estates subject to tax

All property of **non-resident decedents**, however conveyed or administered. Estates of **residents** of this country where the gross value exceeds \$60,000, or is in excess of \$50,000 net value.

Tax is upon estates of persons dying after September 8, 1916.

B---Deductions allowed

1. **Resident Decedent's Estate.**—Funeral expenses, administration expenses, claims, actual losses, support during settlement of dependents upon decedent, and charges allowed by laws of jurisdiction under which the estate is being administered. Also an exemption of \$50,000.

2. **Non-resident.**—From gross estate situate at time of death within the United States that proportion of deductions specified in the first paragraph of subdivision 1 hereof, which the value of such part bears to value of entire estate, wherever situated. (Sec. 203.)

C---Rate

1 per cent.	of net estate not in excess of \$50,000.
2 per cent.	of net estate in excess of \$50,000 up to \$150,000.
3 per cent.	of net estate in excess of \$150,000 up to \$250,000.
4 per cent.	of net estate in excess of \$250,000 up to \$450,000
5 per cent.	of net estate in excess of \$450,000 up to \$1,000,000.
6 per cent.	of net estate in excess of \$1,000,000 up to \$2,000,000.
7 per cent.	of net estate in excess of \$2,000,000 up to \$3,000,000.
8 per cent.	of net estate in excess of \$3,000,000 up to \$4,000,000.
9 per cent.	of net estate in excess of \$4,000,000 up to \$5,000,000.
10 per cent.	of net estate of \$5,000,000. (Sec. 201.)

D---When due Discount Penalty

One year after decedent's death. If paid before, discount of five per cent. per annum from date of payment to date when due will be deducted.

If not paid within ninety days after due, interest at ten per centum per annum from date of death will be added, unless because of specified reasons tax cannot be determined, when rate will be six per cent. (Sec. 204.)

If not paid within sixty days, the collector is required to commence proceedings. (Sec. 208.)

E---Lien

Tax is made a lien upon estates for ten years. (Sec. 209.)

F---Notice to be given

Executors and administrators of estates liable to tax, or if there be none, the person coming first into possession of the property, **must, within thirty days** of appointment, or receipt, notify the internal revenue collector of the district of the fact of such death, and appointment or receipt of property. (Sec. 205.)

Validity

As to validity of tax see 184 U. S. 578; 22 Sup. Ct. Rep. 515.

FEDERAL ESTATE TAX

Under Amendment No. 1

In effect March 3, 1917

The tax upon the value of the net estate of every person, whether **resident or non-resident**, dying on and after the above date, will be—

Rate

1½ per cent.	of net estate not in excess of \$50,000.
3 per cent.	of net estate in excess of \$50,000 up to \$150,000.
4½ per cent.	of net estate in excess of \$150,000 up to \$250,000.
6 per cent.	of net estate in excess of \$250,000 up to \$450,000
7½ per cent.	of net estate in excess of \$450,000 up to \$1,000,000.
9 per cent.	of net estate in excess of \$1,000,000 up to \$2,000,000.
10½ per cent.	of net estate in excess of \$2,000,000 up to \$3,000,000.
12 per cent.	of net estate in excess of \$3,000,000 up to \$4,000,000.
13½ per cent.	of net estate in excess of \$4,000,000 up to \$5,000,000.
15 per cent.	of net estate in excess of \$5,000,000.

The tax on the estates of persons dying between September 8, 1916, and March 3, 1917, are to be computed at the rates prescribed in act of 1916.

DEFINITION OF TERMS

United States

"United States" means the states, the territories of Alaska and Hawaii and the District of Columbia.

Person

"Person" includes partnership, corporations and organizations.

Executor

"Executor" means the executor or administrator of the decedent, or if there is none, any person who takes possession of any property of the decedent.

Collector

"Collector" means the collector of internal revenue of the district in which the decedent was domiciled at the time of his death. In case of no domicile in the United States, the collector of the district in which is situated the part of the gross estate of the decedent in the United States, or if such estate is situated in more than one district, then the collector of Baltimore, Maryland. (Sec. 200, Act of 1916.)

Stock in a domestic corporation owned and held by a non-resident deemed property within the United States. (Sec. 202, Act of 1916.)

FEDERAL WAR ESTATE TAX

Under Title IX, Revenue Act

Approved October 3, 1917

The tax hereunder is in addition to that imposed by section 201 of Act of 1916, as amended in 1917. (See pages 7 and 8 hereof.)

Estates Sub-
ject to tax

The tax is upon the net estate of every person described in said act of 1916, dying after the day of the passage of this act, and at the percentages herein stated.

The value of such net estate is to be determined as provided by Title II of such act of 1916.

RATE	
$\frac{1}{2}$ per cent.	Of amount of such net estate, subject to tax, not in excess of \$50,000.
1 per cent.	On next \$100,000 or fractional part thereof.
$1\frac{1}{2}$ per cent.	On next \$100,000 or fractional part thereof.
2 per cent.	On next \$200,000 or fractional part thereof.
$2\frac{1}{2}$ per cent.	On next \$550,000 or fractional part thereof.
3 per cent.	On next \$1,000,000 or fractional part thereof.
$3\frac{1}{2}$ per cent.	On next \$1,000,000 or fractional part thereof.
4 per cent.	On next \$1,000,000 or fractional part thereof.
$4\frac{1}{2}$ per cent.	On next \$1,000,000 or fractional part thereof.
5 per cent.	On next \$3,000,000 or fractional part thereof.
7 per cent.	On next \$2,000,000 or fractional part thereof.
10 per cent.	On excess above \$10,000,000. (Sec. 900.)

The tax imposed hereunder will not apply to the estate of any person dying while serving in the military or naval forces of the United States, during the continuance of the war in which the United States is now engaged, nor of any such person dying within one year after its termination as a result from injuries received or disease contracted in such service.

NOTE—The tax imposed under the Revenue Acts of Congress, is a tax upon the transfer of property and not upon the property itself.

The tax imposed being due the year after decedent's death, the amount thereof is not deductible from the estate for the purpose of computing the value of the estate in fixing and assessing the transfer tax under the transfer tax acts of the state of New York. Such tax is imposed upon the value of property transferred as of the date of death of decedent, and the revenue taxes cannot be considered. Matter of Bierstadt, 99 Misc. 457.

PART II

INCOME AND STAMP TAXES
UNDER FEDERAL REVENUE ACTS
AND
INCOME TAX ON CORPORATIONS
UNDER THE LAWS OF NEW YORK STATE

INCOME TAX

Under Title I, Revenue Act of Congress

Passed September 8, 1916

I. OF INDIVIDUALS

Who subject
to tax

Every **citizen** or **resident** of the United States, and every **non-resident alien**. Also **estates** of deceased persons, during period of administration.

Income
subject

Of a **citizen or resident**, the entire net income received in the preceding calendar year from all sources.

Of a **non-resident alien**, the entire net income received during such period from all sources within the United States. (Sec. 1a.)

Income
defined

That subject to tax is the net income derived from **gains** and **profits** derived from business, trade, commerce, professions, vocations, and from sales or dealings in property, real or personal, or growing out of ownership of, or interest therein. Also **interest**, **rent** and **dividends** received, and **salaries**, **wages**, and **compensation** for personal service of every kind and in whatever form paid.

Net income is ascertained by deducting from the gross income the exemptions and deductions hereinafter noted.

In the case of **non-resident aliens**, income derived from sources without the United States is not included.

Dividends mean any distribution made or ordered by a corporation, joint-stock company, association, or insurance company, out of its earnings or profits accrued since March 1, 1913, and payable to its shareholders in any manner or form whatever.

For the purpose of the **additional tax**, undistributed profits of all corporations, associations and companies are to be included.

Of **estates of deceased** persons the income received pending administration or settlement of the estate, including income accumulated in trust for the benefit of unknown or unascertained persons, or persons with contingent interests, and income held for future distribution, under the terms of a will or trust, is **subject to both** the **normal** and additional tax, and is to be taxed to their estates.

For the purpose of ascertaining the gain derived from the sale or disposition of property acquired before March 1, 1913, the fair market price or value thereof as of such date is to be taken as the basis. (Sec. 2.)

Income
exempt

Proceeds of life insurance policies paid to individuals upon death of insured; amount received by insured as a return of premiums paid by him under life insurance, endowment, or annuity contracts; value of property (not including income therefrom) acquired by gift, bequest, devise or descent; interest upon obligations of a state or any political subdivision thereof; or upon the obligations of the United States, or its possessions; from securities issued under provisions of the Federal Farm Loan Act of 1916;

compensation of the president of the United States, and the judges of all the United States courts, and of all officers and employes of a state, or any political division thereof, except when the latter is paid by the United States government.

For the purpose of the **normal tax** only, \$3,000 with \$1,000 additional to a head of a family, or a married man with a wife living with him, or a woman with a husband living with her. But one deduction, however, is allowed from the aggregate income of a husband and wife. Guardians or trustees may make this personal exemption as to income derived from the property of which they have charge in favor of the ward or cestui que trust.

A non-resident alien can only receive the personal exemptions above by filing with the collector a true and accurate return of his total income received from all sources in the United States.

Deductions allowed

To a citizen or resident, necessary expenses actually paid in carrying on any trade or business: losses actually sustained therein, or arising from storms, fires, shipwreck, or other casualty or from theft, when not compensated for by insurance or otherwise; interest paid on indebtedness; taxes paid except those assessed against local benefits; debts due the taxpayer actually ascertained to be worthless and charged off within the year; reasonable allowance for exhaustion, wear and tear of property arising out of its use or employment in business or trade; losses actually sustained during the year to an amount not exceeding the profits arising therefrom in transactions entered into for profit aside from his or her business or trade. In case of mines, oil and gas wells, certain other deductions are allowed.

To a non-resident alien, necessary expenses in carrying on business or trade within the United States; taxes paid within the United States, not including those assessed against local benefits; losses incurred in business or trade or transactions conducted within the United States, as in the case of a resident; debts arising in course of such business or trade worthless and charged off during the year; reasonable allowance for exhaustion, wear and tear of property within the United States, as in the case of a resident; proportion of all interest paid on indebtedness which the gross amount of his or her income derived from sources within the United States bears to gross amount of income from all sources within and without. (Sec. 6.)

Not deducti- ble

Personal, living, or family expenses, nor any amount paid out for new buildings, permanent improvements, or betterments, which increase the value of any property or estate, nor paid for restoring property or making good the exhaustion thereof for which an allowance is or has been made. (Sec. 5.)

Credits allowed

For the purpose of the normal tax, only, the personal income will be credited with the amount received as dividends upon the stock or from the net earnings of any corporation, company or association, or trustee, which is taxable upon its net income.

Also for the purpose of the normal tax a like credit will be allowed as to the amount of income upon which the normal tax has been paid or withheld for payment at its source. (Sec. 5.)

Division of tax

A normal tax is to be paid upon the entire net income ascertained as above, less the personal exemption and credits allowed.

In addition to such normal tax a sur tax is to be paid upon all net income in excess of \$20,000 of the total thereof. (Sec. 1, a and b.)

Normal tax

RATE OF TAX

2 per cent.

Upon the entire net income subject to such tax.

Sur-tax

1 per cent.

Of entire net income \$20,000 is exempt.

2 per cent.

On next \$20,000 or fractional part thereof.

3 per cent.

On next \$20,000 or fractional part thereof.

4 per cent.

On next \$20,000 or fractional part thereof.

5 per cent.

On next \$50,000 or fractional part thereof.

6 per cent.

On next \$50,000 or fractional part thereof.

7 per cent.

On next \$50,000 or fractional part thereof.

8 per cent.

On next \$50,000 or fractional part thereof.

9 per cent.

On next \$200,000 or fractional part thereof.

10 per cent.

On next \$500,000 or fractional part thereof.

11 per cent.

On next \$500,000 or fractional part thereof.

12 per cent.

On next \$500,000 or fractional part thereof.

13 per cent.

On excess above \$2,000,000.

II. OF CORPORATIONS

Those sub- ject to tax

Every corporation, joint-stock company or association, or insurance company, organized in the United States, and every like corporation or company or association organized, authorized, or existing under the laws of any foreign country, except the corporations, societies and associations specified in sec. II, tit. I of said act.

Income subject

Of those organized in the United States, the total net income received in the preceding calendar year from all sources.

Of foreign corporations, upon the total net income received in the preceding calendar year from all sources within the United States.

Income includes interest on bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise, and income derived from dividends on capital stock or from net earnings of resident corporations, companies or associations whose net income is taxable hereunder.

For meaning of term "dividends," see above. (Sec. 10.)

Deductions allowed

To those organized in the United States, losses actually sustained and charged off, when not compensated by insurance or otherwise; reasonable allowance for exhaustion, wear and tear of property, etc.; interest on indebtedness not in excess of the sum of the entire amount of the paid up capital stock outstanding; or if none such, the entire amount of capital employed in the business at the close of the year, and one-half of its interest-bearing indebtedness outstanding. Preferred capital stock is not to be considered interest-bearing indebtedness, and interest or dividends thereon are not to be deducted; taxes, except those assessed against local benefits; ordinary and necessary expenses paid within the year in the maintenance and operation of its business and properties, including rentals or other payments actually made for the use and occupation of property not owned by the corporation or in which it has no equity.

(For deductions allowed certain specified companies, etc., see Sec 12.)

To foreign corporations the same deductions as above, out of earnings, in the maintenance and operation of its business and property within the United States, paid within the United States in the conduct of such business. (For further deductions see Sec. 12.)

Not deductible

No deduction can be made for any amount paid out for new buildings, permanent improvements, or betterments to increase the value of any property or estate, nor for restoring property or making good exhaustion thereof for which an allowance has been or is made. In case of bonds or other indebtedness issued with a guaranty that the interest payable thereon shall be free from taxation, no amount paid for tax thereon shall be deducted. (Sec. 12.)

Rate of tax

Two per centum upon the net income received in the preceding calendar year. (Sec. 10.)

Held that tax is not in any sense an income tax, but an excise tax on the conduct of business in a corporate capacity, measuring however, the amount of tax by the income of the corporation. 231 U. S. 144, id. 390; 34 S. Ct. 24, id. 136.

Nor upon franchise or property, but upon the doing of corporate business. 228 U. S. 239; 33 S. Ct. 419; 57 U. S. (L. ed.) 842; 198 Fed. 242.

SPECIAL TAXES

Under Section 407, Tit. IV, 1916, on and after January 1, 1917, special excise taxes are imposed as follows—

Corporations liable for

1.—Every corporation, joint-stock company or association existing or hereafter **organized in the United States** for profit, and having a capital stock represented by shares.

2.—Every **insurance company** existing or hereafter organized under the laws of the United States, or any of its states or territories.

3.—Every like corporation, company or association existing or hereafter **organized under the laws of any foreign country**, and engaged in business in the United States.

Tax will not be imposed upon any corporation, company or association above mentioned not engaged in business during the preceding taxable year, nor any such exempt under the provisions of sec. 11, tit. I, of Act 1916.

Basis of tax

Upon the basis of the fair average **value** of the **capital stock** of the companies named under sub. 1 and 2 hereof, for the preceding year, less the exemption hereinafter noted.

In estimating the value the surplus and undivided profits must be included, except in the case of insurance companies the deposits and reserve funds required by law or contract to be held or maintained for protection, etc., of policy-holders, are not to be included.

Of companies noted under sub. 3 hereof, upon the basis of the fair average amount of capital invested in the transaction of business in the United States during the preceding year, less the exemption hereinafter noted. In the case of insurance companies, deposits or reserve funds required to be maintained or held in the United States for the protection, etc., of policy holders are not to be included.

Exemption and credit

To those mentioned under sub. 1 and 2, above, \$99,000 from the capital stock hereinafter mentioned.

To those mentioned under sub. 3, above, from the amount of capital stock so invested, an amount equal to such proportion of \$99,000 as the

amount so invested bears to the total amount invested in business in the United States or elsewhere. To be entitled to such exemption a return must be made to the internal revenue commissioner of the amount of capital invested in the transaction of business outside of the United States.

Corporations, etc., above noted will also be entitled to a credit as against the tax imposed hereunder, equal to the amount of the tax imposed and paid under sec. 301, tit. III, Act 1916. (The title noted applies to munition manufacturer's tax of 12 1-2 per centum upon net profits derived from manufacture of articles of munition within the United States)

Rate of tax

To those **under sub. 1 and 2** hereof, **50 cents for each \$1,000** of the fair value of its capital stock. In estimating such value the surplus and undivided profits must be included.

To those **under sub. 3** hereof, **50 cents for each \$1,000** of capital actually invested in the transaction of its business in the United States.

RETURNS.

Who to make

A true and accurate return, under oath, must be made by each person of lawful age having a net income subject to tax.

Also by every corporation, company or association liable to tax.

When by reason of illness, absence or non-residence a person is unable to make and render a return, same may be made by an agent.

Guardians, trustees, administrators, receivers, conservators, and all persons, corporations, or associations acting in a fiduciary capacity, must make a return of the person, trust, or estate for which or whom they act.

Where receivers, trustees in bankruptcy, or assignees are operating the property or business of corporations, companies or associations subject to tax, they shall make returns in the same manner and form as required of like corporations, etc.

Persons, firms, corporations, copartnerships, joint-stock companies or associations, having the control, receipt, disposal or payment of fixed or determinable annual or periodical gains, profits, and income of another individual subject to tax, must in behalf of such, deduct and withhold from payment an amount equivalent to the normal tax upon the same, and make a separate and distinct return of the portion of the income from which such normal tax has been so withheld. Such return must contain the name and address of such person, or state that it is unknown, as the case may be.

A partnership, when requested by the commissioner or collector, must render a return of the earnings, profits and income thereof, except of such as is exempt.

When to be made

Return must be made on or before March 1, in each year, except where a corporation, etc., has designated a fiscal year for the computation of its tax, the return must be made within sixty days after the close of such fiscal year.

Must be made to the collector of internal revenue for the district in which the person has his legal residence or principal place of business, and if neither within the United States, to the collector at Baltimore, Maryland.

By a corporation, etc., to such collector of the district in which is located its principal office where are kept its books of account and other data from which the return is prepared, or in the case of a foreign corporation

etc., to the district in which is located its principal place of business in the United States, or if none such, then to the collector of Baltimore, Maryland.

The commissioner of internal revenue may grant a reasonable extension of time, in meritorious cases, for filing returns by persons residing or traveling abroad who are unable to file returns on or before March 1 of each year. (Sec. 13.)

To be included in

Every return shall include the income derived from dividends on capital stock or from net earnings of any corporation, joint-stock company, association, or insurance company, except that in case of non-resident aliens such income derived from sources without the United States shall not be included. Also all income hereinbefore mentioned and defined.

Blanks for return

Blanks upon which to make returns will be supplied by the collector of the district. Such blanks show in detail the matters required to be contained in the returns.

The calendar year

The calendar year fixed by the act ends December 31.

Any corporation, company or association named herein, subject to tax may designate the last day of any month in the year as the day of the closing of its fiscal year, and be entitled to have the tax computed upon the basis of the net income ascertained for the year ending on the day so designated in the year preceding the date of assessment instead of upon the basis of such income for the calendar year preceding the date of assessment. It must give notice of the day it has thus designated to the collector to whom return is to be made at any time not less than thirty days prior to March 1 of the year in which its return would be filed if made upon the basis of the calendar year.

ASSESSMENT AND PAYMENT

By whom made

Assessment of the tax will be made by the commissioner of internal revenue.

Notice of assessment

All persons, firms, corporations, companies and associations will be notified of the amount for which they are respectively liable on or before June 1 of each year.

When tax due and payable

Tax must be paid on or before June 15, in each year, except that corporations, etc., computing taxes upon the income of the fiscal year which it may designate, shall pay same within 105 days after the date upon which it is required to file its return.

In case of refusal or neglect to make return, and in cases of erroneous false or fraudulent returns, the commissioner of internal revenue will, upon discovery thereof, at any time within three years after return is due, make a return upon information obtained, and the assessment made by him thereon must be paid immediately upon notification of the amount.

To whom tax payable

Payment of the tax is to be made to the collector to whom the return was made.

Persons carrying on business in partnership shall be liable for income tax only in their individual capacity.

Interest on
tax past
due

Taxes due and unpaid after June 15, in any year, or after 105 days as above provided, and after ten days notice and demand thereof by the collector, will have added thereto five per centum on the amount unpaid and interest at the rate of one per centum per month on said amount from the time same became due. (Secs. 9 and 14.)

Receipt for
payment

The collector to whom payment is made is required to give to the tax payer a receipt expressing the amount paid and the particular account for which payment was made. (Sec. 17.)

DEDUCTION AT THE SOURCE

Who to
make de-
ductions

All persons, firms, companies, copartnerships, corporations, joint-stock companies, associations, and insurance companies, in whatever capacity acting, having the control, receipt, disposal, or payment of fixed or determinable annual or periodical gains, profits, and income of another individual subject to tax, **shall**, in his or her behalf, **deduct and withhold** from the payment **an amount** equivalent to the **normal tax** upon the same, and make a separate and distinct return of the portion of such income from which such tax has been thus withheld. Except that no return of income not exceeding \$3,000 is required, except as in this title provided.

The above mentioned persons, companies, etc., including lessees or mortgagors of real or personal property, trustees acting in any trust capacity, executors, administrators, receivers, conservators, employers, and all officers and employees of the United States, having control, receipt, custody, disposal or payment, as above, of **interest, rent, salaries, wages, premiums, compensation, remuneration, emoluments**, or other fixed or determinable annual or periodical gains, etc., of another person, exceeding \$3,000, for any taxable year, other than income derived from dividends on capital stock, or from net earnings of corporations, companies or associations, the income of which is taxable hereunder, are authorized and required to deduct and withhold such sum as will be sufficient to pay the normal tax imposed, and must pay such amount to the officer of the United States government authorized to receive same.

Liability for

Each person, or corporation, etc., above mentioned is made liable for such tax, and are indemnified against every person, corporation, etc., or demand whatsoever for all payments which they shall so make.

Exemption,
when will
be allowed

In cases where such tax is withheld and paid as above, the person entitled to the income will not receive the benefit of the personal exemption allowed of \$3,000, or \$4,000, except by an application for refund of the tax unless he shall, not less than thirty days prior to the day on which return of his income is due, file with the person who is required to withhold and pay the tax for him, a signed notice in writing claiming the benefit of such exemption. Upon the filing of such notice no tax shall be withheld upon the amount of such exemption. (Sec. 9.)

Where the tax is paid, or to be paid, at the source, the deductions or benefits provided for in sections 5 and 6 of the act, will not be allowed unless, not less than thirty days prior to the day when return is due, there is filed with the person, etc., required to withhold and pay such tax, a true and correct return of gains, profits and income from all other sources, and also

showing the deductions asked for; or likewise make application for deductions to the collector of the district in which return is to be made for him.

If such person is absent from the United States, or unable owing to serious illness to make return and application, as above, same may be made by an agent.

From interest on bonds, etc.

The normal tax imposed shall be deducted and withheld as herein provided, from income, etc., derived from interest upon bonds and mortgages, or deeds of trust, or other similar obligations of corporations, companies and associations, whether payable annually or at shorter or longer periods, although such interest does not amount to \$3,000, and likewise such tax shall be deducted and withheld from coupons, checks, or bills of exchange for or in payment upon bonds of foreign countries and upon foreign mortgages or like obligations (not payable in the United States), and from like obligations for or of in payment of any dividends upon stock or interest upon obligations of foreign corporations, etc., engaged in business in foreign countries, although same does not exceed \$3,000, by any banker or person who shall sell or otherwise realize upon coupons, etc., drawn or made in payment of any such interest or dividends (not payable in the United States), and by any person who obtains payment (not in the United States), in behalf of another of such interest, etc., by means of coupons, etc.; and also by any dealer in such coupons who shall purchase same for any such dividends or interest (not payable in the United States), otherwise than from a banker or another dealer therein. Sec. 9.

Congress having power to enact all laws necessary to carry into effect any tax which it may constitutionally enact, the provisions for payment of income taxes by or from the source is not unconstitutional, the source being the agent of the government for the collection thereof. 9 Wall. 353, 192 L. Ed. 701; 101 U. S. 153, 25 L. Ed. 903; 17 Wall. 322, 21 L. Ed. 597.

PARTNERSHIPS

Liability of to tax

Persons carrying on business in partnership shall be liable for income only in their individual capacity.

From the net distributive interests therein on which the individual members will be liable for tax, normal and additional, there shall be excluded their proportionate shares of that received from interest on obligations of the United States and its possessions, or of a State or any political or taxing subdivision thereof, and also all taxes paid thereto; and for the purpose of the normal tax there will be allowed a credit for the amount of dividends received from corporations, etc., taxable upon their net incomes. Sec. 8.

PENALTIES AND FINES

Individuals

For refusal or neglect to make a return, not less than \$20 or more than \$1,000.

For making a false or fraudulent return with intent to defeat or evade the assessment, deemed a misdemeanor and subjects the party to a fine of not exceeding \$2,000, or imprisonment not exceeding one year, or both, with costs of prosecution. Sec. 18.

Knowingly making a false statement or false or fraudulent representation for purpose of obtaining any allowance or reduction by virtue of a claim for exemption, \$300. Sec. 9.

Corporations
etc.

For refusal or neglect to make return, or for rendering a false or fraudulent return, not exceeding \$10,000. Sec. 14.

For undertaking as a matter of business or for profit the collection of foreign payments of interest or dividends by means of coupons, checks or bills of exchange as provided for by section 9, without obtaining from the Commissioner of Internal Revenue a license therefor or without complying with such rules and regulations as the commissioner may prescribe relating thereto, will be deemed guilty of a misdemeanor and for each offense subject to a fine of \$5,000, or imprisonment for a term not exceeding one year, or both. Sec. 9.

CONDITIONAL AND OTHER EXEMPTIONS

Income not
taxable

Income received by the following corporations, companies, societies or organizations is not taxable—

Labor, agricultural or horticultural; farmers', fruit growers' or the like, operating as sales agent to market produce of its members, returning to them the proceeds less necessary expenses; those organized exclusively to hold property and collect income and turn same over to an organization itself exempt hereunder; Federal land banks and national farm-loan associations; joint-stock land banks, as to income from bonds, etc., of other like banks or any Federal land bank belonging thereto; mutual savings banks having no capital stock represented by shares; domestic building and loan associations and co-operative banks without capital stock operated for mutual purposes and without profit; farmers' or other mutual hail, cyclone or insurance company; mutual ditch or irrigation company; mutual or co-operative telephone company, or like organization of a purely local character, the income of each of which consists of assessments, dues and fees from members for the sole purpose of meeting its expenses; cemetery company owned and operated exclusively for the benefit of its members; those operated exclusively for religious, charitable, scientific, or educational purposes, without profit to the members; business league, chamber of commerce or board of trade, not organized for profit; civic league not organized for profit; clubs operated exclusively for pleasure, recreation or other non-profitable purpose; fraternal beneficiary society, etc., operated under the lodge system for the exclusive benefit of its members, and providing for payment of life, sick, accident, or other benefits to such members or their dependents. Sec. II.

WAR INCOME TAX

Under Revenue Act of Congress

Approved October 3, 1917

The taxes imposed under this act upon incomes are in addition to the taxes imposed by Act of 1916, treated herein, and are to be levied, assessed, collected and paid upon all incomes received in the calendar year 1917, and every year thereafter.

Except as to exemptions and provisions relating to deduction at the source, taxes hereunder will be computed, levied, assessed, collected and paid upon the basis and in the same manner as similar taxes are so levied, assessed and collected under said act of 1916.

TITLE I

I. OF INDIVIDUALS

Who subject
to tax

Every individual, a **citizen** or **resident** of the United States. Sec. 1.

The provisions of this title however do not extend to Porto Rico or the Philippine Islands, the legislature of each country being empowered by due enactment to amend, alter, modify or repeal the income tax laws in force therein. Sec. 5.

Income de-
fined

Subject only to such exemptions and deductions as are hereinafter allowed, the net income of a taxable person, includes gains, profits and income, derived from salaries, wages, or compensation for personal service of whatever kind and in whatever form paid, or from professions, vocations, business, trade, commerce, or sales, or dealings in property, real or personal, growing out of ownership or use of or interest therein, also from interest, rent, dividends, securities, or the transaction of any business carried on for gain or profit, and the income derived from any source whatever. Sec. 1200, amending sub. a, sec. 2, Act 1916.

Income ex-
empt

For the purpose of the **normal tax** only, the exemption allowed to the head of a family, or to a married man with a wife living with him, or to a married woman with a husband living with her, is \$2,000.

To each other individual the exemption allowed is \$1,000. Sec. 3.

For the purpose of the sur tax the sum of \$5,000 of the net income is exempt. Sec. 2.

By an amendment to the act of 1916, an additional exemption of \$200 is allowed to a head of a family for **each dependent child** under eighteen years of age, or any **child physically or mentally defective** and incapable by reason thereof of self support. This exemption is allowed to but one parent in the same family. Sec. 1203.

Interest upon obligations of the United States issued after September 1, 1917, are exempt only if and to the extent provided in the act authorizing the issue thereof. (Amd. sec. 4, Act 1916.) Otherwise same exemptions are allowed as provided therein. See page 11 hereof.

Also an exemption from amount of the net income of estates of deceased citizens or residents of the United States during the period of administration or settlement, and of trust or other estates of citizens or residents of the United States the income of which is not distributed annually or regularly under the provisions of sub. b, of section 2, the sum of \$3,000, including such deductions as are allowed under sec. 5.

Deductions allowed

Interest paid within the year on indebtedness **except on indebtedness incurred for the purchase of obligations or securities the interest upon which is exempt from taxation** as income under this title. Amd. to par. 2, sub. a, Act 1916, applying also to such act.

Contributions or gifts actually made within the year to corporations or associations organized and operated for religious, scientific, charitable, or educational purposes, or to societies for the prevention of cruelty to children or animals, no part of the net income of which inures to the benefit of any private stockholder or individual, to an **amount not in excess** of 15 per centum of the taxpayer's taxable income as computed without the benefit of this provision. The above will be allowed as deductions only if verified under rules and regulations prescribed by the commissioner of internal revenue with the approval of the secretary of the treasury. Sec. 1201, amd. sec. 5, Act 1916, and applying thereto.

Not deduct- able

Indebtedness incurred for the purchase of obligations or securities, the interest upon which is exempt from taxation as income hereunder. Also income and excess profits taxes.

To **non-resident aliens** indebtedness and income and excess profits taxes as above noted.

Division of tax

As in the act of 1916, a **normal tax** is to be paid upon the entire net income ascertained as provided in said act, as amended, less the personal exemption and credits allowed therein and hereunder.

In addition to the normal tax a **sur tax** is to be paid upon the net income in excess of \$5,000. Secs. 1 and 2.

NORMAL TAX

2 per cent.

Upon the entire net income subject to tax.

SUR TAX

Of the entire net income \$5,000 is exempt.

1 per cent.

On next \$2,500 or fractional part thereof.

2 per cent.

On next \$2,500 or fractional part thereof.

3 per cent.

On next \$2,500 or fractional part thereof.

4 per cent.

On next \$2,500 or fractional part thereof.

5 per cent.

On next \$5,000 or fractional part thereof.

7 per cent.

On next \$20,000 or fractional part thereof.

10 per cent.

On next \$20,000 or fractional part thereof.

14 per cent.

On next \$20,000 or fractional part thereof.

18 per cent.

On next \$20,000 or fractional part thereof.

22 per cent.

On next \$50,000 or fractional part thereof.

25 per cent.

On next \$50,000 or fractional part thereof.

30 per cent.

On next \$50,000 or fractional part thereof.

34 per cent.

On next \$50,000 or fractional part thereof.

37 per cent.

On next \$200,000 or fractional part thereof.

40 per cent.

On next \$250,000 or fractional part thereof.

45 per cent.

On next \$250,000 or fractional part thereof.

50 per cent.

On excess above \$1,000,000.

RATE OF TAX

Example

Showing method of computing tax of a married man having a net income of \$25,000, under Acts of 1916 and 1917—

Under Act of 1916

Normal tax	Exemption.....	\$ 4,000	
	Two per cent. on.....	21,000	\$420 00
<hr/>			
Sur tax	Exemption	\$20,000	
	One per cent. on.....	5,000	50 00
<hr/>			

Under Act of 1917

Normal tax	Exemption	\$2,000	
	Two per cent. on.....	23,000	\$460 00
<hr/>			
Sur tax	Exemption	\$5,000	
	One per cent. on.....	2,500	25 00
	Two per cent. on.....	2,500	50 00
	Three per cent. on....	2,500	75 00
	Four per cent. on.....	2,500	100 00
	Five per cent. on.....	5,000	250 00
	Seven per cent. on....	5,000	350 00
<hr/>			
Total tax.....			\$1,780 00

The tax of an unmarried man will be computed in the same manner except that a deduction of \$1,000 instead of \$2,000 will be made for the purpose of computing the normal tax under the Act of 1917.

(See **Excess Profits Taxes** hereinafter noted, to which individuals are liable in addition to taxes already described.)

Returns

Returns hereunder within the time and in the manner prescribed by Act of 1916, as amended by this act, must be made by married persons having a net income subject to tax of \$2,000 or over, and by unmarried persons having a like net income of \$1,000 or over. Sec. 3.

Guardians, trustees, executors, administrators, receivers, conservators and all persons, corporations, etc., acting in any fiduciary capacity, must make and render a return of the person, trust or estate for whom of which they act, and are subject to all the provisions hereof which apply to individuals. A return by one of two joint fiduciaries filed in the district where such fiduciary resides will be sufficient. No return of income not exceeding \$3,000 will be required except as in title I, Act 1916, otherwise provided. Sec. 1204, amd. sub. c, sec. 8, Act. 1916.

Penalties

Failure to make required return within time prescribed, or the making of any false or fraudulent return, or the evasion or attempt to evade the tax imposed, or the failure to collect or truly account for and pay over any such tax, subjects the party in default or guilty, to a penalty of not more than \$1,000, or to imprisonment for not more than one year, or both, at the discretion of the court, and in addition thereto a penalty of double the tax evaded, or not collected or accounted for or paid over, in any case in which the punishment is not otherwise specifically provided. Sec. 1004.

All penalties provided by existing law for failure to pay tax when due are made applicable to such failure to pay the tax at the time or times required by this act. Sec. 1009. (See page 18 hereof.)

Payment of tax

Taxes imposed by this act will be collected by the same official and will be paid within the same time and manner as similar taxes imposed by the Act of 1916, except as to collection from the source.

The secretary of the treasury, under certain rules and regulations prescribed by him, must permit payments in advance in installments or in whole of an amount not in excess of the estimated taxes due, and upon determination of the taxes actually due, any amount paid in excess must be refunded as taxes erroneously collected: Provided that in case of payment in installments at least one-fourth of the estimated tax shall be paid before the expiration of thirty days after the close of the taxable year, at least an additional one-fourth within two months after the close of such year, at least a like amount within four months after the close of such year, and the remainder on or before the time fixed by law for payment. Provided further that such secretary may allow a credit against such taxes so paid in advance not exceeding three per centum per annum calculated upon the amount so paid from the date of payment to the date fixed by law for such payment. No credit however, will be allowed on payments in excess of the taxes determined to be due, nor on payments made after the expiration of four and one-half months after the close of the taxable year.

That in the payment of any tax, not payable by stamp, a fractional part of a cent will be disregarded unless it amounts to one-half cent or more, in which case it will be increased to one cent.

Under certain rules to be prescribed, collectors may receive at par and accrued interest, certificates of indebtedness issued under section 6 of act under which bonds are issued to meet expenditures, etc., and for assisting in the prosecution of the war, etc., and any subsequent act or acts.

Uncertified checks may be used under such regulations as may be prescribed by the commissioner of internal revenue, but if check so used is not paid by the bank on which drawn, the person tendering or using same will remain liable for the payment of the tax and for all legal penalties and additions as though such check had not been tendered.

Deduction at the source

The provisions of Act of 1916, as amended by this act, requiring deduction at the source, do not apply to the new normal tax hereunder until on and after January 1, 1918, and thereafter but one two per centum normal tax shall be deducted and collected at the source, any further normal tax to be paid by the recipient of the income. Sec. 3.

Subdivision d of section 8, Act 1916, requiring deduction of income at source and making return thereof is repealed by section 1204 hereof.

Subdivision b of section 9, Act 1916, amended by making it apply to income only of **non-resident alien** individuals, and requiring return to be made on or before March 1st of each year of income deducted.

For further amendments affecting Act of 1916, see title "**Amendments**," hereinafter noted.

2. OF CORPORATIONS

Those subject to tax

Every corporation, joint-stock company or association, or insurance company subject to tax under section 10, Act 1916, as amended. (See page 13 hereof.)

Income subject

The same incomes as under section 10, Act of 1916, as amended, except that for the purpose of the tax imposed by this section the income embraced in a return shall be credited with the amount received as dividends

upon the stock or from the net earnings of any other corporation, joint-stock company or association, or insurance company, which is taxable upon its net income as provided by this title.

The tax

The tax hereunder is in addition to that imposed by section 10, Act 1916, and will be levied, assessed, collected and paid in the same manner as the tax so imposed by such act.

It will be imposed and collected upon incomes received during the calendar year 1917, and every calendar year thereafter, except where such corporation, company or association has fixed its own fiscal year, the tax fixed hereunder for the fiscal year ending during the calendar year 1917 will be assessed, collected and paid only on that proportion of its income for such fiscal year which the period between January 1, 1917, and the end of such fiscal year bears to the whole of such fiscal year.

The rate

The rate is **four per centum** upon the income received in each calendar year. Sec. 4.

The provisions of this title do not extend to Porto Rico or the Philippine Islands.

Payment

See provisions relating to payments set out under title I.

Deductions and credits

See provisions of Act of 1916, herein, and amendments hereinafter noted.

3. OF PARTNERSHIPS

Amendment to section 8, Act 1916, permits interest on obligations of the United States to be excluded only, **if and to the extent** that it is provided in the act authorizing the issue of such obligations **that they are exempt from taxation.**

A further amendment to such section permits a partnership to fix and make returns upon the basis of its own fiscal year as in the case of corporations. If the fiscal year ends during a calendar year for which there is a rate of tax different from the rate of the preceding calendar year, the rate of the preceding calendar year will apply to an amount of each partner's share of such partnership profits equal to the proportion which the part of such fiscal year falling within such calendar year bears to the full fiscal year, and the rate for the calendar year during which the fiscal year ends will apply to the remainder. Sec. 1204. (See page 18 hereof. See also, **Excess Profits Tax.**)

TITLE II

1. EXCESS PROFITS TAX

(Act of March 3, 1917, as amended by Act of October, 1917)

The taxes hereinunder are in addition to those under existing laws.

Who liable for

Every corporation and partnership organized, authorized or existing under law, foreign and domestic, including those of the Philippine Islands and Porto Rico, excepting corporations exempt from tax under Act of 1916, and partnerships carrying on or doing like business. Secs. 201 and 203.

Income sub- ject

The net income of every such corporation and partnership, excepting incomes of partnerships derived from agricultural or from personal service, and income derived from the business of life, health and accident insurance combined in one policy issued on the weekly premium plan. Secs. 201 and 203.

The tax

The tax will be computed upon the basis of the net income shown by returns made under title I, Act 1916, and will be assessed and collected at the same time and in the same manner as the income tax thereunder.

RATE

- | | |
|-------------|---|
| 8 per cent. | Of the amount by which the net income exceeds the sum of \$5,000, and also— |
| 8 per cent. | Of the actual capital invested. |

Returns

Returns must be rendered at the same time and in the same manner and form as prescribed for income tax returns under Act of 1916. Sec. 205.

Repeal of

The above noted act was repealed by act of October, 1917, and any amount paid hereunder will be credited toward payment of tax imposed by said last act.

2. WAR EXCESS PROFITS TAX

(Under Act of October 3, 1917.)

Who liable for

Corporations, foreign and domestic, **joint-stock companies**, **associations**, **insurance companies**, **partnerships** and **individuals**, except—

Corporations exempt from tax under Act 1916, and partnerships and individuals carrying on or doing the same business or coming within the same description.

Term "**domestic**" means created under the laws of the United States, or of any state, territory or district thereof. "**Foreign**" means created under the laws of any foreign country and under that of any other province of the United States.

Term "**United States**" includes only, in addition to the states, the territories of Alaska, Hawaii and District of Columbia.

Trade and **business** include professions and occupations.

Every corporation or partnership, not exempt hereunder, will be deemed to be engaged in business, and all the trades and business in which it is engaged will be treated as a single trade or business, and all its income from every source will be deemed to have been received from such trade or business. Secs. 200, 201.

Income sub- ject

The **net income** of every corporation, partnership, or individual, liable hereunder to tax, subject to deductions and provisions hereinafter noted. Sec. 201.

In the case of a foreign corporation or partnership or a nonresident alien individual, only the net income received from sources within the United States will be liable, and then only in case such net income is \$3,000 or over Secs. 200, 201, 202.

The **net income** of a **partnership or individual** will be ascertained upon the same basis and in the same manner as provided by Act of 1916, as amended by this act, except the amount received as dividends upon stock or from net earnings of any corporation, company, association, trustee, or insurance company, which is taxable upon its net income, shall be deducted.

The **net income** of a **corporation** will be ascertained for the calendar years 1911 and 1912 upon the same basis and in the same manner as provided by section 38, Act of August 5, 1909, except that income taxes paid by it within the year imposed by authority of the United States will be included. For the calendar year 1913, as provided in section 11, Act of October 3, 1913, except that like income taxes paid within the year will be included, and ex-

cept that the amounts received by it as dividends upon stock or from net earnings of other corporations, companies, associations, or insurance companies, subject to the tax imposed by said last act, will be deducted. For the taxable year upon the same basis and in the same manner as provided by Act of September 8, 1916, as amended by this act, except that the amounts received by it as dividends upon stock or from net earnings of other corporations, companies, or insurance companies, subject to the tax imposed by said last act, will be deducted. Sec. 206.

A trade or business carried on by a corporation, partnership or individual, although formally organized or re-organized on or after January 2, 1913, if substantially a continuation of that carried on before such date, will be deemed to have been in existence prior to such date, and the net income and invested capital of its predecessor prior to such date will be deemed to have been its net income and invested capital. Sec. 204.

The percentage which the net income was of the invested capital in each trade or business will be determined by the commissioner of internal revenue. In the case of a corporation or partnership which has fixed its own fiscal year, the percentage determined by the calendar year ending during such fiscal year will be used. Sec. 205.

The proportion of the deduction and the net income in each trade or business will be determined by said commissioner in accordance with regulations prescribed by him. In the case of a fiscal year as above mentioned, the proportion determined for the calendar year ending during such fiscal year will be used. Sec. 210.

(See deductions and returns hereinafter noted.)

Income exempt

That derived from the business of life, health, and accident insurance combined in one policy issued on the weekly premium payment plan.

Compensation and fees received by officers and employes, as such, under the United States, or any state, territory or the District of Columbia, or any local subdivision thereof. Sec. 201.

Deductions allowed

By a **domestic corporation**, the sum of an amount equal to the same percentage of the invested capital for the taxable year which the average amount of the annual net income of the trade or business during the prewar period was of the invested capital for the prewar year—but not less than seven or more than nine per centum of the invested capital for the taxable year. Also \$3,000.

By a **foreign corporation or partnership** or of a **non-resident alien individual**, an amount ascertained as above provided, but without the exemption of \$3,000. By a **foreign partnership**, in determining its net income, the deductions allowed to individuals in subdivision (a) of Act of 1916, as amended by this act.

By a **domestic partnership** or of a **citizen or resident** of the United States, the sum of an amount equal to the same percentage of the invested capital for the year which the average amount of the annual net income of the trade or business during the prewar period was of the invested capital for such prewar period—but not less than seven nor more than nine per centum of the invested capital for the taxable year. Also \$6,000. Sec. 203.

If a corporation or partnership was not in existence, or an individual was not engaged in business during the whole of any one calendar year during the prewar period, the deduction will be an amount equal to eight per centum

of the invested capital for the taxable year, plus, in the case of a domestic corporation, \$3,000, and in the case of a domestic partnership or a citizen or resident, \$6,000. Sec. 204.

If the secretary of the treasury is unable in any case satisfactorily to determine the invested capital, the amount of the deduction will be the sum of an amount equal to the same proportion of the net income received during the taxable year as the proportion which the average deduction, determined in the manner above without including the \$3,000, or \$6,000, for the calendar year of representative corporations, partnerships, and individuals, engaged in a like or similar business, bears to the total net income received of the corporation, partnership or individual in question, plus, in the case of a domestic corporation, \$3,000, and in the case of a domestic partnership, citizen or resident \$6,000. For the purpose hereof the proportion between the deduction and the net income in each trade or business will be determined by the commissioner in accordance with regulations prescribed by him, with the approval of the secretary of the treasury. In the case of a fiscal year having been fixed, the proportion determined for the calendar year ending during the fiscal year will be used. Sec. 210.

If the secretary of the treasury is unable satisfactorily to determine the average amount of the annual net income during the prewar period, the deduction will be determined in the following manner—

If upon the complaint he finds either (1) that during the prewar period a domestic corporation or partnership, or a citizen or resident, had no net income from business, or (2) that during such period the percentage, which the net income was of the invested capital, was low as compared with the percentage, which the net income during such period of representative corporations, partnerships, and individuals, engaged in a like or similar business, was of their like capital, then the deduction will be the sum of an amount equal to the same percentage of its invested capital for the taxable year which the average deduction determined (as hereinbefore outlined without including the \$3,000 or \$6,000) for such year of such corporation, etc., engaged in a like or similar business, is of their average invested capital for such year, plus, in the case of a domestic corporation \$3,000, and of domestic partnership or citizen or resident \$6,000.

The tax will be assessed, however, upon the basis of the deduction heretofore outlined herein, under section 203, but the taxpayer claiming the benefit of the last above provision may, at the time of making the return, file a claim for abatement for any tax in excess of what it would have been on the basis of the last described deduction. Sec. 205. See further the subject of "Payments."

The percentage which the net income was of the invested capital in each trade or business will be determined by the commissioner in accordance with regulations prescribed by him, except that in the case of a fiscal year having been fixed, the percentage determined by the calendar year ending during the fiscal year will be used. Sec. 205.

The term "**prewar period**" means the calendar years 1911, 1912 and 1913, or, if a corporation or partnership was not in existence or an individual was not engaged in business during the whole of such period, then as many years during the whole of which it was in existence, or the individual was engaged in business. Sec. 200. See also title "Invested Capital."

The term "**taxable year**" means the twelve months ending December 31st, excepting in the case of a fiscal year having been fixed. The first tax-

able year will end December 31, 1917, except in the case of a fixed fiscal year, it will be the fiscal year ending during the calendar year 1917. Sec. 200.

Returns

Returns must be made by **corporations, companies, partnerships and individuals** liable to tax hereunder.

A domestic partnership having a net income of less than \$6,000, and a foreign partnership having a net income of less than \$3,000, is not required to render a return.

Returns **must set forth** specifically the **gross income** for the year, and the deductions allowed.

Returns **must be rendered** at the **same time** and in the **same manner** as prescribed for income tax returns under title I of Act 1916, as amended hereby, except—

That the net income of a corporation shall be returned for the calendar years 1911 and 1912, in the same manner as provided by Act 1909 and for the calendar year 1913 in the same manner as provided by Act 1913.

The commissioner of internal revenue may require, subject to the provisions of this act, the furnishing of such facts, data and information as in his judgment are necessary to collect the tax imposed hereunder. Secs. 206, 211, 212, 213. See deductions.

The tax

The **tax** under this title **is in addition** to the taxes under existing law and those otherwise imposed by this act.

It **will be** levied, assessed, collected and paid for each taxable year **upon the net incomes** hereinbefore defined, equal to the following percentages of such income—

RATE	
20 per cent.	Of amount of such income in excess of deduction allowed and not in excess of 15 per centum of the invested capital for the taxable year.
25 per cent.	Of amount of income in excess of 15 per centum and not in excess of 20 per centum of such capital.
35 per cent.	Of amount of income in excess of 20 per centum and not in excess of 25 per centum of such capital.
45 per cent.	Of amount of income in excess of 25 per centum and not in excess of 33 per centum of such capital.
60 per cent.	Of amount of income in excess of 33 per centum of such capital. Sec. 201.

In case a business has no invested capital or not more than a nominal capital, there will be levied, assessed and collected in lieu of the above tax a tax equivalent to **eight per centum** of the net income of such business in excess of, in case of a domestic corporation the deduction of \$3,000, and in case of a domestic partnership or a citizen or resident the deduction of \$6,000, and in other cases without any deduction.

The provisions of title I, of Act 1916, as amended by this act, relating to payment of the tax, including penalties, are made applicable to the tax imposed by this act. Sec. 212.

Title II, Act of March 3, 1917, is repealed by this act, and any amount paid on account of the tax imposed thereunder will be credited toward the payment of tax imposed by this title. If the amount paid exceeds the tax imposed hereunder the excess will be refunded as tax erroneously or illegally collected. Sec. 214.

In the event of the tax being assessed upon the basis of the deduction provided for in section 203 (see deductions), and the taxpayer files claim for abatement as provided for therein, collection of the part of the tax covered by such claim will not be made until the claim is decided. If, however, the

commissioner believes the interests of the United States would be jeopardized by such delay he may require a bond to be given in such amount and with such sureties as he thinks wise, conditioned for the payment of any tax found to be due, with interest thereon. If such bond is not given within the time he prescribes, the full amount of tax assessed will be collected, and any overpayment found upon the final decision of the application will be refunded as tax erroneously or illegally collected. Sec. 205.

If a return is made covering a fiscal year and there is included therein income received during that part of the fiscal year falling within the calendar year 1916, the tax for such taxable year will be that proportion of the tax computed upon the net income during such full fiscal year which the time from January 1, 1917, to the end of such fiscal year bears to the full fiscal year. Sec. 200.

Invested capital

The term as used herein for any year means the average invested capital for the year, as defined and limited herein, averaged monthly. It does not include stocks, bonds (other than obligations of the United States) or other assets, the income from which is not subject to the tax imposed under this title, nor money or other property borrowed.

In the case of a **corporation** or **partnership**, it means, subject to the above limitations, actual cash paid in; actual value of tangible property paid in other than cash, for stock or shares therein, at the time of such payment (but in case such property was paid in prior to January 1, 1914, the actual cash value thereof as of said named date, but in no case to exceed the par value of the original stock or shares specifically issued therefor), and paid in or earned surplus and undivided profits used or employed in the business, exclusive of undivided profits earned during the taxable year. Provided that actual cash value of patents and copyrights paid in for such purpose shall be included as invested capital, but not to exceed the par value of the stock or shares at the time thereof; good will, trade marks, trade brands, franchises, shall also be so included if payment bona fide was made therefor specifically as such in cash or tangible property, at a value not to exceed the actual cash value of the tangible property so paid therefor at the time of payment. But such good will, etc., purchased prior to March 3, 1917, for and with interest or shares in such corporation or partnership (issued prior to said last named date), in an amount not to exceed, on said date, twenty per centum of the total interest or shares therein, shall be included as such capital at a value not to exceed the actual cash value at the time of such purchase, and in the case of issue of stock not to exceed the value of such stock.

In the case of a **foreign corporation** or **partnership** or of a **non-resident alien individual**, it means that proportion of the entire invested capital as defined and limited herein, which the net income from sources within the United States bears to the entire net income.

In the case of an **individual**, actual cash paid into the business. Actual cash value of tangible property so paid, other than cash, at the time thereof (but in case of such property paid in prior to January 1, 1914, the actual cash value thereof as of such last named date). Actual cash value of patents, copyrights, good will, trade marks, trade brands, franchises or other tangible property, so paid in, at the time of such payment, if payment therefor was made specifically as such in cash or tangible property, not to exceed the actual cash or cash value of the tangible property bona fide paid therefor at the time of such payment. Sec. 207.

In the case of a reorganization, consolidation or change of ownership of a business after March 3, 1917, if an interest or control therein of 50 per centum or more remains in control of the same persons, corporations, associations, partnerships, or any of them, in ascertaining the invested capital thereof no asset transferred from the prior business will be allowed at a greater value than would have been allowed hereunder in computing the capital of the prior business if such asset had not been transferred, unless same was paid for specifically as such, in cash or tangible property, and then not to exceed such cash or cash value of such property at the time of such payment. Sec. 208.

3—MUNITION MANUFACTURER'S TAX

Amendment
and repeal

Subdivision 1, of section 301, Act 1916, is amended hereby, fixing the rate of tax for the taxable year 1917 at ten per centum.

Subdivision 2 is amended to the effect that section 301 of said act shall cease to be of effect on and after January 1, 1918.

TITLE III

WAR STAMP TAXES

(Title VIII of Act 1917)

In effect December 1, 1917

Documents
requiring

Bonds, debentures, certificates of stock and of indebtedness and other **documents, instruments**, matters and things mentioned in Schedule A following. Sec. 800.

Documents
excepted

Any note, bond or other instrument, issued by the United States, or by any foreign government, or by any state, territory or the District of Columbia, or local subdivision thereof, or municipal or other corporation exercising the taxing power, when issued in the exercise of a strictly governmental, taxing, or municipal function.

Stocks and bonds issued by co-operative building and loan associations organized and operated exclusively for the benefit of their members and making loans only to their shareholders.

Stocks and bonds issued by mutual ditch and irrigating companies. Sec. 801.

By whom to
be paid

Every **person, corporation, partnership or association**, who makes, signs, issues, sells, removes, consigns, or ships same, or for whose use or benefit the same are so made, signed, issued, etc. Sec. 800.

1. SCHEDULE A

Deeds

Instrument or writing whereby any lands, tenements or other realty sold shall be granted, assigned, transferred, or otherwise conveyed, **when the consideration or value of interest so conveyed**, exclusive of any lien or encumbrance actually remaining thereon at the time, **exceeds \$100**, and does not exceed \$500, **50 cents**. For each additional \$500 or fractional part thereof, **50 cents**.

No stamp is required where the instrument is given only to secure a debt.

Mortgages

Require no stamps. (See Bonds of Indebtedness.)

Bonds of indebtedness

Bonds, debentures, or certificates of indebtedness issued on or after December 1, 1917, **5 cents** on each **\$100** of face value or fraction thereof. Each renewal will be taxed as a new issue.

When a bond is given in a penal sum greater than the debt secured, the tax will be based on the amount secured.

Bonds accompanying mortgages on real property will require the stamps above noted.

Bonds of indemnity and surety

Bonds indemnifying any person, corporation, partnership, or corporation who shall have become bound or engaged as surety; all bonds for the due execution or performance of any contract, obligation or requirement, or the duties of any office or position, and to account for money received by virtue thereof, and bonds of any description, **except** such as may be **required in legal proceedings**, and such as otherwise described herein, **50 cents**.

If a **premium is charged** for the execution of such bond, the tax will be **one per centum** on each dollar or fractional part thereof of such premium. Policies of reinsurance will require no stamp.

Executor's, administrator's, guardian's, trustee's appeal and other bonds in legal proceedings require no stamp.

Drafts and checks

Payable otherwise than at sight or on demand, for a sum not exceeding \$100, **2 cents**, and 2 cents for each additional \$100 or fractional part thereof.

Promissory notes

Except bank notes issued for circulation, and for each renewal thereof, for a sum not exceeding \$100, **2 cents**, and a like sum for each additional \$100 or fractional part thereof.

Power of attorney

Granting authority to do or perform some act for or in behalf of the grantor, if not otherwise vested in the grantee, **25 cents**.

No stamps will be **required** upon powers of attorney required in bankruptcy cases, nor upon any papers necessary to be used in the collection of claims from the United States, or from any state, for pensions, back pay, bounty, or for property lost in the military or naval service.

Capital stock Issue of

On each **original issue** on organization or reorganization, on each \$100, face value, or fraction thereof of certificates, **5 cents**.

Where the **stock** is issued **without a face value**, **5 cents** per share, unless the actual value is in excess of \$100, when the tax will be **5 cents** on each \$100 of actual value or fraction thereof.

Stamps are to be **attached to stock books** and **not to the certificates** issued.

Capital stock Sales or transfers of

On all sales or agreements to sell, or memoranda of sales, or deliveries, or transfers of legal title to shares or certificates, whether made upon or shown by the books of the company, or by assignment in blank, or by delivery, or by any paper or agreement, memorandum or other evidence of transfer or sale, whether entitling the holder in any manner to the benefit of the stock or not, on each \$100 of face value or fraction thereof, **2 cents**.

Where the **shares** are **without par value**, a like tax on each share, unless the actual value thereof is in excess of \$100 per share, when the tax will be **2 cents** on each \$100 of actual value or fraction thereof.

No tax will be **imposed** upon an agreement evidencing a deposit of certificates as collateral security for money loaned thereon, when not actually sold, nor upon the certificates so deposited.

No tax will be **imposed** upon deliveries or transfers to a broker for sale, nor upon deliveries or transfers by a broker to a customer for whom or upon whose order he has purchased same, but same must be accompanied by a certificate setting forth the facts.

In case of a sale and the evidence thereof is shown only by the books of the company the **stamp** must be placed **upon such books**.

Where change of ownership is by the transfer of the certificate the **stamp** must be placed **upon such certificate**.

In cases of an agreement to sell or where transfer is by delivery of the certificate assigned in blank, the seller must make and deliver to the buyer a bill or memorandum of sale and **stamp** must be affixed to such **bill** or **memorandum**. Every such bill, memorandum or agreement to sell must show the date thereof, name of seller, amount of sale, and the matter or thing to which it refers.

A person liable to pay the tax above mentioned, or one who acts in the matter as agent or broker for one who shall make any such sale, or who shall deliver any stock, or any evidence of sale, or bill or memorandum thereof, without having the necessary stamps affixed, with intent to evade the tax, will be guilty of a misdemeanor, and upon conviction must pay a **fine** of not exceeding **\$1,000**, or be **imprisoned** not more than six months, or both, in the discretion of the court. (See Schedule B, N. Y. Law, requiring stamps.

Proxy for
voting

At any election for officers, or meeting for the transaction of business or any **incorporated** company or association, except religious, educational, charitable, fraternal or literary societies, or public cemeteries, **10 cents**.

Produce,
sales of

Upon each sale, agreement of sale or agreement to sell, including so-called transferred or scratch sales, of any products or merchandise at any **exchange** or **board of trade**, or similar place, for future delivery, for each \$100 in value of the merchandise covered thereby, **2 cents** and a like tax for each additional \$100 or fractional part thereof.

In each case the **seller must** make and deliver to the buyer a bill, memoranda or agreement or other evidence thereof, to which shall be affixed the stamps for said tax.

Every bill, memoranda, etc., must show the date thereof, name of the seller, amount of the sale, and the matter or thing to which it refers.

Sellers of commodity described herein, having paid the tax required, may transfer such contracts to a clearing house corporation or association, and such transfer will not require payment of a tax, provided same does not vest any beneficial interest in the transferee and is made for the sole purpose of enabling it to adjust and balance the accounts of its members on their several contracts.

No bill, memorandum, agreement or other evidence of sale will be subject to tax in case of **cash sales** for immediate or prompt delivery, and it is in good faith intended to deliver the product sold.

Entry of
goods

Entry of goods, wares or merchandise at any **custom house**, either for consumption or warehousing, not exceeding \$100 in value, **25 cents**; exceeding \$100 and not exceeding \$500, **50 cents**; exceeding \$500 in value, **\$1**.

Entry for **withdrawal** of any goods or merchandise from **customs bonded warehouse, 50 cents.**

Parcel post packages

Upon each package transported from one point in the United States to another by parcel post on which the postage amounts to 25 cents or more, **1 cent** for each 25 cents or fractional part thereof charged for such transportation.

The tax must be **paid by the consignor** and the package or parcel will not be transported until the required stamp or stamps shall have been affixed thereto.

Passage ticket

Costing \$10 or less exempt. (See Transportation.)

One way, or round trip, for each passenger, sold or issued in the United States for passage to a port or place without the United States, Canada or Mexico, costing not exceeding \$30, \$1; over \$30 and not exceeding \$60, \$3; costing more than \$60, \$5.

Playing cards

Upon each pack containing not more than 54 cards, manufactured or imported, and sold, or removed for consumption or sale, **after the passage of this act, 5 cents** per pack in addition to the tax imposed under prior existing law.

Procuring stamps

Stamps may be **procured** of postmasters and of designated depositories of the United States in the several collection districts. Secs. 806, 807.

Cancelling stamps

A person or corporation using or affixing a stamp required hereunder **must write or stamp**, or cause so to be done, thereupon, the **initials** of his or its name and the **date** so attached or used.

The commissioner may prescribe such other method for cancellation as he deems expedient. Sec. 804.

The commissioner may also prescribe a method of **affixing** the stamps in substitution for or in addition to the method prescribed by this act.

Penalties

Making, signing, issuing, or accepting, or causing the same to be done, of any instrument, document, etc., requiring the payment of a tax, without the full amount of the tax thereon being duly paid, and otherwise failing to comply with, or violating the provisions of this title, renders one guilty of a **misdemeanor** and upon conviction to payment of a **fine** of not more than **\$100** for each offense. Sec. 802.

Fraudulently cutting, tearing or removing from any document, etc., any adhesive stamp required thereon, or using upon any other document, etc., any stamp so removed, or using any forged or counterfeit stamp, die or impression; or **wilfully** removing, or altering the cancellation or defacing marks, or preparing with intent to use or causing to be used, after it has already been used, any adhesive stamp, or knowingly or wilfully buys, sells or offers for sale, or gives away any washed or restored stamp to any person for use, or has in his possession, knowingly and without lawful excuse, any washed, restored, or altered stamp, removed from any paper, etc., renders one guilty of a misdemeanor, and upon conviction to a fine of not more than \$1,000, or imprisonment for not more than five years, or both. Also forfeiture to the government of such stamp, document, package or article upon which it is placed. Sec. 803.

Application
of other
laws

All internal revenue laws relating to the assessment and collection of taxes are extended to and made a part of this title; as far as applicable, for the purpose of collecting stamp taxes omitted through mistake or fraud. Sec. 805.

2. SCHEDULE B

Transfers of
Stock,
N. Y. law
Rate

Of any domestic or foreign corporation, association or company.

Two cents on each share of \$100 of face value or fraction thereof.

Payment of the tax will be denoted by affixing of stamps upon certificate where change of ownership is by transfer thereof, otherwise upon the books of the company.

Failure to pay tax and affix stamps renders the delinquent guilty of a **misdemeanor** and liable to **fine** of from \$500 to \$1,000, or imprisonment, or both.

Stamps **must be cancelled**, otherwise party will be guilty of a misdemeanor and liable to fine or imprisonment, or both. (Art. 12, Tax Law.)

On invest-
ments
N. Y. State
Laws 1917
Rate

Tax **may** be paid under provisions of this law, in the discretion of the taxpayer—

Twenty cents per year on each \$100 or fraction thereof, of face value of investment.

Instrument to be taken or sent to state comptroller. Tax may be paid for one or more years up to five at one time. Stamps showing payment will be affixed.

Investments include bonds, notes, debts, debentures, equipment bond or note, or written or printed obligation, forming part of a series of similar bonds, notes, etc., which by their terms are payable one or more years from issue; **excepting**, bonds of this state or any civil division thereof, and such as are secured by a deed of trust or mortgage recorded in this state on real property wholly within the state, and such as are held as collateral to secure the payment of investments taxable hereunder, or such bonds as are taxable under art. II of the Tax Law, and the proportion secured by a trust deed or mortgage recorded in the state covering property within the state, where it also covers property without the state.

For the period for which tax is paid the investment will be exempt from further taxation, except as provided by sections 24 to 24g, inclusive, and by articles 10 and 12 of the Tax Law.

For **effect of failure to pay tax** hereunder, see page 6 hereof.
(Ch. 700, L. 1917, in effect June 1.)

TITLE IV

WAR TAX ON INSURANCE, TRANSPORTATION, SHIPMENTS
AND MESSAGES

(Title V, Act October, 1917)

Marine, in-
land and
fire insur-
ance

One cent on each dollar, or fractional part thereof, **of the premium charged** under each policy whereby insurance is **made** or **renewed** upon property of any description, including rents or profits.

Applies to insurance against peril by sea or inland waters, fire, lightning or other peril.

Does not apply to policies of reinsurance.

Life insurance rate

Eight cents on each \$100, or fractional part thereof of the amount for which any life is insured under a policy of insurance, or other instrument except—

On policies not in excess of \$500, issued on the industrial or weekly payment plan, the tax will be **40 per centum** of the amount of the first weekly premium only.

Policies of reinsurance are exempt from tax hereunder.

Casualty insurance

One cent on each one dollar or fractional part thereof of the premium charged under each policy of insurance or obligation of the nature of indemnity for loss, damage or liability, except—

Bonds of indemnity and surety under Schedule A herein.

Policies of reinsurance will be exempt from tax hereunder.

Exempt

Policies issued by any person, corporation, partnership or association, whose income is exempt under title I of Act of 1916. (See page 19 hereof.)

Returns

Those issuing policies above mentioned upon which tax must be paid, must, within the **first 15 days** of each month, make a return, **under oath, in duplicate**, and pay such tax to the collector of internal revenue of the district. Returns must contain such information and be made in such manner as the commissioner prescribes. Sec. 504.

Passenger transportation

Eight per cent. of amount paid for transportation by rail or water, or by any form of mechanical motor power, on a regular established line, from one point in the United States to another therein, or in Canada or Mexico, **where such fare exceeds 35 cents.**

Applies to mileage books but not to commutation or season tickets for trips less than 30 miles.

Seats, berths

Ten per cent. of amount paid for seats, berths and staterooms in parlor or sleeping cars, or on vessels.

Freight

Three per cent. of amount paid for transportation by rail or water by any form of mechanical motor power, of property consigned from one point in the United States to another.

Express

One cent for each 20 cents, or fraction thereof, paid for transportation from one point in the United States to another.

Telephone, telegraph or radio messages

Five cents on each dispatch, message or conversation, which originates within the United States, and **for which a charge of 15 cents** or more is imposed.

The above taxes are **effective** on and after **November 1, 1917**, and are to be paid by the one paying for the services rendered. Secs. 500, 501:

TITLE V

POSTAL RATES

(Title XI of Act)

First class mail

Letters, on and after November 1st, 1917, except drop letters (those to be called for at or delivered from the office where posted) three cents for each ounce or fraction thereof. Drop letters require two cents.

Applies only to domestic mail.

Postal cards and private mailing or post cards, when complying with existing law, two cents.

Letters written and mailed by soldiers, sailors and marines assigned to duty in a foreign country in the present war require no postage. Sec. 1100.

Newspaper
or periodical

When mailed by any one other than the publisher or his agent, or a news agent or dealer, the rate will be the same as provided by existing law. Sec. 1106.

TITLE VI

AMENDMENTS TO ACT 1916

Sec. 2, sub. a
income

Omits provision that the term "dividends" shall be held to mean any distribution by a corporation, company, or association, out of earnings or profits accrued since March 1, 1913. Sec. 1200.

Sec. 4, in-
come ex-
empt

Provides that interest upon obligations of the United States issued after September 1, 1917, will be exempt only if and to the extent provided in the act authorizing the issue. Sec. 1200.

Sec. 5, sub. a
deductions
allowed

Paragraph two. Excepts interest on indebtedness incurred for the purchase of securities the interest upon which is exempt from taxation as income hereunder.

Paragraph three. Excepts income and excess profits taxes. Sec. 1201.

Adds a new paragraph, No. 9, allowing to be deducted contributions or gifts made within the year to corporations or associations organized exclusively for religious, charitable or educational purposes, or for prevention of cruelty to children or animals, when no part of the net income thereof inures to the benefit of any stockholder or individual, to an amount not in excess of 15 per cent. of taxpayer's taxable net income as computed without the benefit of this paragraph. Such deductions will be allowed only when verified under rules prescribed. Sec. 1201.

Sec. 6, sub. a
nonresi-
dent aliens

Paragraph two. Excepts indebtedness incurred for purchase of securities the interest upon which is exempt from taxation as income hereunder.

Paragraph three. Excepts income and excess profits taxes.

Adds a new subdivision, c, providing that deduction hereunder will only be allowed upon filing a true return of total income received from all sources. Sec. 1202.

Sec. 7, ex-
emptions

Provides for **additional exemption** of \$200, in case of dependent child under eighteen years of age, or when mentally or physically defective.

Subdivision b, which affects a nonresident alien, is **repealed**. Sec. 1203.

Sec. 8, re-
turns

Subdivision c, provides that in case of guardians, trustees, executors, administrators, etc., **no return** of income not exceeding \$3,000 will be **required**, except as in title 1 otherwise provided.

Subdivision e. In case of **partnerships** relating to excluding interest received, provides only if and to extent that is provided in the act authorizing the issue by the United States that they are exempt from taxation. Provides also for fixing by partnerships of fiscal year.

Subdivision d, applying to deduction at source, is **repealed**. Sec. 1204.

Sec. 9, as-
sent
adminis-
tration

Subdivision b, now provides for deduction at source of the income only of a **nonresident alien** individual, and making return on or before March 1 in each year, and the payment of the tax within the time fixed therefor. Other provisions of this title repealed.

Subdivision c provides that the **normal tax** imposed shall be **deducted** from income derived from bonds, etc., if such bonds, mortgages or other obligations contain a contract by which the obligor agrees to pay any portion of such tax imposed upon the obligee or to reimburse him therefor or to pay the interest without deduction of tax which the obligor may be required or permitted to pay or retain therefrom under any law of the United States, whether such interest is payable to a nonresident alien individual or a citizen or resident, subject to the provision of subdivision b of this section, unless the person entitled to such interest files with the withholding agent on or before February 1st a signed written notice claiming the exemption under section 7 hereof.

Subdivision f strikes out the term "firms" and certain changes are made in the phraseology, otherwise no material change effected.

Subdivision g. Amendment adds words in the third line "or as otherwise provided by law" in place of "the foregoing." It also provides that the provisions of this section, except subdivision c, shall apply only to the normal tax imposed upon nonresident alien individuals.

Subdivision d and e are repealed. Sec. 1205.

Sec. 10, tax on corporations.

The first paragraph as amended omits the provision regarding dividends out of profits, etc., since March 1, 1913.

A new subdivision b provides an additional tax, to be paid annually, of **10 per centum** upon amount of profits remaining undistributed six months at end of calendar or fiscal year, of total net income received during year as determined herein, but not including any income taxes paid within the year imposed by the United States.

Such tax will not apply to such portion of income actually invested or employed in the business or retained therefor in the reasonable requirements of the business, or such as is invested in obligations of the United States issued after September 1, 1917. If the secretary of the treasury finds that it is not so employed or not reasonably required therein a tax of **15 per centum** will be levied.

The foregoing tax rates will apply to undistributed income received in calendar year 1917, and each following year except where fiscal year is fixed to proportion of income returned for such year ending December 31, 1917, which period from January 1, 1917, and fiscal year bears to whole of such fiscal year. Sec. 1206.

Sec. 12, deductions

Subdivision a, paragraph three, excepts indebtedness incurred for purchase of obligations the interest upon which is exempt from taxation as income hereunder. At the end of this paragraph the words "shall be deducted" are added.

Paragraph four excepts income and excess profits taxes.

Subdivision b, paragraph three, excepts indebtedness incurred in purchase of securities the interest upon which is exempt from taxation as income hereunder.

Paragraph four excepts income and excess profits. Sec. 1207,

Sec. 13, returns

Subdivision e is made applicable to the tax imposed by subdivision a of section 10, upon income described in this subdivision. Sec. 1208.

Sec. 18, penalties

This section is made to apply to partnerships, corporations, etc., liable to pay the tax, and is extended to a refusal or neglect to pay the tax or supply information, and provides for same penalties and punishment, except "as otherwise specially provided" in title I. Sec. 1209.

Sec. 26, return of dividends

Title I, part 3, administrative provisions

Returns

Credits

Income of foreign governments

Dividends included

Amendment of March, 1917, and of October, 1917, requires corporations and companies, when demanded by the commissioner, to make return of its payments of dividends, and to include therein names and addresses of stockholders, number of shares owned by each, the tax years and the applicable amounts in which dividends were earned. Sec. 1210.

Six new sections are added by Act of October, 1917.

Section 27 requires every person, corporation, partnership or association **doing business as a broker** on any exchange, etc., when demanded, to render a return showing names of customers, with details as to profits, losses or other information required by the commissioner.

Section 28 requires persons, etc., above named, in whatever capacity acting, including **lessees or mortgagors** of real or personal, **trustees** acting in any trust capacity, **executors, receivers, conservators and employers**, making payment to another person, corporation, etc., of interest, rent, salaries, premiums, annuities, compensation, emoluments, or other fixed or determinable gains, profits and income (other than payments described in sections 26 and 27) of \$800 or more in any taxable year, or, in case of such payments made by the United States, the officers or employes thereof, are authorized and required to render to the commissioner returns setting forth such gains, profits and income, and the name and address of the recipient thereof.

In the case of payments of interest upon bonds, mortgages or deeds of trust or other similar obligations of corporations, companies, etc., and collection of items (not payable in the United States) of interest upon bonds of foreign countries and from bonds and from dividends of stock of foreign corporations, by persons, corporations, etc., undertaking as a business for profit the collection of foreign payments by means of coupons, checks or bills of exchange, **returns must be made regardless of the amounts collected.**

When necessary the **name and address** of the recipient of the income **must, upon demand, be furnished** the person, corporation, etc., paying such income.

Provisions of **this section applies** to calendar year 1917, and each like year thereafter. **It does not apply** to payment of interest on obligations of the United States.

Section 29 provides in assessing income tax that the **net income** embraced in the return **shall be credited** with amount of any **excess profits tax** imposed for same calendar or fiscal year upon the taxpayer, and in the case of a member of a partnership, with his proportionate share of such profits tax imposed upon the partnership.

Section 30 provides that nothing in section 11, Act October, 1913, or in this title, will be construed as taxing the income of foreign governments received from investments in the United States in stocks, bonds or other domestic securities, owned by foreign governments, or from interest on deposits in banks in the United States of moneys belonging to such governments

Section 31-a provides that the term "**dividends**" used in this title will be held to mean **any distribution** made or ordered made by a corporation, etc., out of its earnings or profits since March 1, 1913, and payable to shareholders, either in cash or stock.

b. That **any distribution** made to shareholders or members **in year 1917**, or subsequent tax years, will be deemed to have been made from most recently accumulated undivided profits or surplus, and **will constitute** a part

of the **annual** income of the distributee for the year in which received, and **will be taxed at rates** prevailing for the years in which such profits or surplus were accumulated by such corporation, etc.

The provisions of **this subdivision do not apply** to any earnings or profits accrued prior to March 1, 1913.

Not deduct-
ible

Section 32 provides that **premiums paid on life insurance policies** covering lives of officers, employes, or those financially interested in any trade or business conducted by those liable to tax, shall not be deducted in computing net income, or in computing the profits of a partnership for the purpose of subdivision e of section 9. Sec. 1211.

Release of
income
withheld

Any amount heretofore withheld as required by title I, Act 1916, for calendar year 1917, except in the cases covered by subdivision c of section 9 thereof, as amended hereby, must be released and paid over to the individual entitled to the income, and the entire income of such individual, for such year will be assessed and collected in the manner prescribed by such act, as amended by this act. Sec. 1300.

Repealed

Title I, Act March 3, 1917, entitled "Special Preparedness Fund," is repealed. Sec. 1301.

TITLE VII

FRANCHISE TAX ON CORPORATIONS

(New York Laws 1917. In effect June 4, 1917)

Corporations
liable

Every **manufacturing** and **mercantile corporation**, domestic or foreign, doing business within the state. Sec. 209.

Corporations
exempt

Corporations liable to a tax under section 184, chapter 62, Laws 1909; corporations owning or operating railroads not operated by steam, or those formed for supplying water or gas for electric or steam heating, light or power purposes and liable to a tax under sections 185 and 186 of said chapter. Sec. 210.

Definitions

"Manufacturing corporation," one principally engaged in manufacturing tangible property.

"Mercantile corporation," one principally engaged in business of buying or selling tangible property for itself or others.

"Corporation" includes a joint-stock company or association.

"Tangible personal property" means such as machinery, tools, implements, goods, wares and merchandise. Sec. 208.

Rate of tax

Three per centum of the net income of corporation, or portion thereof taxable within the state, determined as hereinafter noted. Sec. 215.

Computation
of tax

To be computed by the tax commission upon the basis of the net income for fiscal or calendar year next preceding, upon which it is required to pay a tax to the United States.

If the entire business is not transacted within the state, tax will be upon such proportion of its entire net income, as that produced from the business within the state bears to the aggregate from within and without the state.

Real property and tangible personal property is to be taken at its actual value where located. The value of share stock of another corporation

owned by a corporation liable hereunder shall, for the purpose of allocation of assets, be apportioned in and out of the state in accordance with the value of the physical property in and out of the state representing such assets. Sec. 214.

Notice of tax

Notice of the assessment of tax will be sent by mail to each corporation. Sec. 219-b.

Payment of tax

Tax **must be paid** to the state comptroller on or before **January 1** of each year.

If not so paid, or in case of additional taxes not paid **within 30 days** after bill therefor has been rendered, **10 per centum** of such amount shall be added for each month the tax remains due **must be paid**. Sec. 219-c.

If tax is **not paid within 30 days** after same becomes due, unless an appeal or other proceeding to review same is pending, the **comptroller shall issue a warrant** to the sheriff of any county commanding him to sell the property, etc. Sec. 219-e.

Lien of tax

It is a lien upon the real and personal property of the corporation until paid. Sec. 219-c.

Reports

A report **must be transmitted** to the tax commission annually **before July 1**. It must be sworn to by either the president, vice-president, secretary or treasurer. It must state the name of the corporation, location of its principal place of business, the date, under what laws organized, the kind of business transacted, amount of its net income for the preceding year or calendar year as shown in its last return to the United States treasury department. Unless in such report it consents to be taxed upon its net income it must also show the average monthly value for such year of its real and tangible personal property in each city, village or portion of a town or side of a village within this state, and the average monthly value of all other property wherever located. The average monthly value for such period shall be based on bills and accounts receivable for such personal property sold from its stores or stocks within the state; that manufactured or shipped from within the state, and the services performed within the state, and the average monthly total value for such year of bills and accounts receivable for personal property sold from its stores or stocks within and without the state, and the value of personal property manufactured or shipped from within the state and without the state, and services performed both within and without the state.

Also the average value for such year of the stock of other corporations owned by it and the proportion of the average value of such other corporations within the state, as allocated and provided in section 214 hereof, and such other facts as the tax commission may require for the purpose of making computation of the tax. Sec. 211.

A corporation which reports to the United States treasury department on the basis of its fiscal year, may report hereunder on that basis. Sec. 219-d.

If the amount of the annual income taxable hereunder as returned to the United States treasury department is changed or corrected, such corporation must, within ten days after receipt of notice thereof, make return to the tax commissioner of such changed or corrected net income. Sec. 219-d.

The tax commissioner may, for good cause shown, **extend the time** within which a report hereunder may be returned. Sec. 217.